

**HANOVER-HORTON
SCHOOL DISTRICT**

**FINANCIAL
STATEMENTS**

JUNE 30, 2008

**KARL L. DRAKE
CERTIFIED PUBLIC ACCOUNTANT**

HANOVER-HORTON SCHOOL DISTRICT

LIST OF PRINCIPAL INDIVIDUALS

JUNE 30, 2008

Board of Education

Kathie Michel	President
Brian Brockie	Vice President
Chris Vincent	Secretary
Leon Densmore	Treasurer
Chris Murphy	Board Member
Kirk Mercer	Board Member
Joseph Childs	Board Member

Management

Linda Brian	Superintendent
Andrienne Spencer	Business Manager
Karl L. Drake, PC	Auditor
Thrun Law Firm, P.C.	Attorney
Abbott, Thomson, and Beer	Attorney

HANOVER-HORTON SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Hanover-Horton School District
Horton, Michigan 49246

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover-Horton School District, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hanover-Horton School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover-Horton School District as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

The administration's discussion and analysis and budgetary comparison information on pages 3 through 10 and 29-31 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Education
Hanover-Horton School District

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2008 on our consideration of Hanover-Horton School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund financial statements, and statistical data, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Hanover-Horton School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

July 14, 2008

HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

This section of Hanover-Horton School District's annual financial report presents discussion and analysis of the School District's financial performance during the year ended June 30, 2008. It is best read in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Hanover-Horton School District financially as a whole. The *District-Wide Financial Statements* provide information about the activities of the entire School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Food Service Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for the General Fund and Debt Funds
(Required Supplemental Information)

Other Supplemental Information

Reporting The School District As A Whole - District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflows and outflow and the balances remaining at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.

HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

Reporting the School District's Fiduciary Responsibilities - The School District as Trustee

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE 1	Governmental Activities (In Millions)	
	2008	2007
ASSETS		
Current and other assets	\$ 3.4	\$ 3.0
Capital assets - Net of accumulated depreciation	9.2	9.6
TOTAL ASSETS	12.6	12.6
LIABILITIES		
Current liabilities	2.0	1.7
Long-term liabilities	6.6	7.2
TOTAL LIABILITIES	8.6	8.9
NET ASSETS		
Invested in property and equipment - Net of related debt	1.7	1.8
Restricted	0.2	0.2
Unrestricted	2.1	1.7
TOTAL NET ASSETS	\$ 4.0	\$ 3.7

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$4.0 million at June 30, 2008. Capital assets, net of related debt totaling \$1.7 million compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$2.1 million) was unrestricted.

The \$2.1 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2008 and 2007.

	Governmental Activities (In Millions)	
	2008	2007
REVENUE		
Program Revenue		
Charges for services	\$ 0.8	\$ 0.7
Grants and categoricals	0.7	0.7
General Revenue		
Property taxes	2.1	1.7
State foundation allowance	8.6	8.6
Other	0.1	0.2
TOTAL REVENUE	\$ 12.3	\$ 11.9

HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

FUNCTION/PROGRAM EXPENSES

	(In Millions)	
	2008	2007
Instruction	\$ 6.7	\$ 6.6
Support Services	3.6	3.7
Food Services	0.5	0.5
Athletics	0.3	0.3
Interest on Long-Term Debt	0.4	0.4
Depreciation (unallocated)	0.4	0.5
TOTAL FUNCTION/PROGRAM EXPENSES	11.9	12.0
INCREASE <DECREASE> IN NET ASSETS	\$ 0.4	\$ -0.1

Key reasons for the change in net assets were establishment of a sinking fund and continued efforts at debt reduction. The School District also negotiated changes in their insurance coverage and reduced administrative costs by the reduction of a part-time administrative position at the elementary school.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for certain purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$2.1 million, which is an increase of \$0.2 million from last year. The primary reason for the increase is controlling expenditures. The General Fund, the principal operating fund, saw fund balance increase \$124,695 to \$1,733,981, which is more than the budgeted decrease of \$156,135.

- Special Revenue Funds remained stable from the prior year, showing a net increase of approximately \$10,740.
- Combined, the Debt Service Funds showed a fund balance increase of \$29,360. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Fund Balances in the Debt Service Funds are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District amends its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

General Fund Budgetary Highlights

To avoid an additional decrease in the fund balance this year, the School District made cuts in line item spending as well as the reduction in administration. The increases in fringe benefits were actually less this past year than they have been previously. Declining enrollment continues to hit the School District hard. However, the School District has benefited from recent staff retirements that have helped lower the cost of our instructional staff.

HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Asset

At June 30, 2008, the School District had \$9.2 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$343,816 or 3 percent, from last year.

	2008	2007
Land and Improvements	\$ 2,019,727	\$ 2,019,727
Buildings and Improvements	11,875,334	11,875,334
Buses and Other Vehicles	773,884	804,892
Furniture and Equipment	807,962	766,170
Total Capital Assets	15,476,907	15,466,123
Less Accumulated Depreciation	6,260,630	5,906,030
Net Capital Assets	\$ 9,216,277	\$ 9,560,093

The additions for this year included custodial equipment and a new bus. New debt of \$46,006 was issued for these additions.

Debt

At the end of this year, the School District had \$7.2 million in bonds and loans outstanding versus \$7.7 million in the previous year - a decrease of 7 percent. Debt consisted of the following:

	2008	2007
General Obligation Bonds	\$ 7,138,211	\$ 7,678,211
Bus Loans	48,533	40,869
	\$ 7,186,744	\$ 7,719,080

The School District's general obligation bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$7.2 million is significantly below the statutorily imposed limit.

Economic Factors and Next Year's Budgets And Rates

The elected officials and administration considered many factors when setting the School District's 2008-09 fiscal year budget. One of the most important factors impacting the budget remains the student count. The District had 1,418.25 students enrolled in the fall of 2003. In the fall of 2007, the District had dropped to 1,347. This is a drop of over 71 students. We anticipate that this trend will continue, as the kindergarten classes that have been entering are smaller than our graduation classes.

The State and Jackson County unemployment rates are having a negative impact on the School District as well. Housing values are dropping and many homes in the area have been foreclosed. The small increases in the State foundation allowance are not enough to offset these costs and the long-term impact of this is causing the School District to limit spending for the foreseeable future. The School District does not want to have to make cuts in staffing in the middle of the school year.

The State foundation revenue is determined by multiplying the blended student count (using two separate count days) times the per student foundation allocation. The blended count for the 2008-2009 school year is 25 percent of the count from February 2008 and 75 percent of the count from September 2008. The 2008-2009 fiscal year budget was based on an estimate of students that will be enrolled in September 2008. Approximately 75 percent to 80 percent of the total General Fund revenue is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the end of the 2007-2008 school year, we anticipate that the fall student count (2008-2009) will decrease by an additional 20 students from the spring 2008 student count. This is a reduction of an additional 39 students from the fall of 2007. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Because the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. The State periodically holds a revenue consensus conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation of \$7,304, however, that is subject to change at subsequent conferences dependent on the state economy.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors of the Hanover-Horton School District with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, 237 Farview Street, Horton, Michigan 49246.

HANOVER-HORTON SCHOOL DISTRICT

District-Wide Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	
	2008	2007
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,773,895	\$ 1,437,989
Due From Other Governmental Units	1,658,673	1,537,652
Accounts Receivable	8,466	9,252
Inventories	4,452	4,855
Prepaid Expenditures	---	352
Total Current Assets	3,445,486	2,990,100
Non-Current Assets		
Capital Assets	15,476,907	15,466,123
Less: Accumulated Depreciation	-6,260,630	-5,906,030
Total Non-Current Assets	9,216,277	9,560,093
TOTAL ASSETS	\$ 12,661,763	\$ 12,550,193
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 6,412	\$ 4,946
Accrued Salaries and Expenses	1,032,746	1,067,865
Deferred Revenue	---	32,919
Accrued Interest	62,492	55,618
Bonds and Loans Payable, Due within One Year	921,508	565,564
Total Current Liabilities	2,023,158	1,726,912
Non-Current Liabilities		
Bonds Payable	6,516,703	7,138,211
Loans Payable	48,533	15,305
Compensated Absences	16,126	---
Total Non-Current Liabilities	6,581,362	7,153,516
TOTAL LIABILITIES	8,604,520	8,880,428
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,667,041	1,785,395
Restricted for Debt Service	158,447	129,087
Restricted for Capital Projects	48,950	41,351
Restricted for Sinking Fund	40,088	---
Unrestricted	2,142,717	1,713,932
TOTAL NET ASSETS	4,057,243	3,669,765
TOTAL LIABILITIES AND NET ASSETS	\$ 12,661,763	\$ 12,550,193

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

		Program Revenues		Governmental Activities	
		Charges For Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets	
	Expenses			2008	2007
FUNCTIONS/PROGRAMS					
Governmental Activities					
Instruction	\$ 6,673,824	\$ 359,363	\$ 408,322	\$ -5,906,139	\$ -5,937,445
Support Services	3,651,498	27,600	90,757	-3,533,141	-3,545,212
Food Services	475,412	275,108	206,672	6,368	5,339
Athletics	296,423	63,453	---	-232,970	-235,660
Community Services	55,546	25,492	---	-30,054	-6,041
Interest on Long-Term Debt	354,990	---	---	-354,990	-361,577
Depreciation (Unallocated)	453,114	---	---	-453,114	-467,046
Total Governmental Activities	\$ 11,960,807	\$ 751,016	\$ 705,751	-10,504,040	-10,547,642
General Revenue					
Taxes					
Property Taxes, Levied for General Operations				952,227	891,135
Property Taxes, Levied for Debt Service				881,612	835,858
Property Taxes, Levied for Sinking Fund				246,066	---
State of Michigan Aid, Unrestricted				8,608,028	8,647,725
Interest Earnings				74,267	76,542
Other				129,318	46,914
Total General Revenue				10,891,518	10,498,174
CHANGE IN NET ASSETS				387,478	-49,468
NET ASSETS - BEGINNING OF YEAR				3,669,765	3,719,233
NET ASSETS - END OF YEAR				<u>\$ 4,057,243</u>	<u>\$ 3,669,765</u>

See Accompanying Notes to Financial Statements.

HANOVER-HORTON SCHOOL DISTRICT

Fund Financial Statements

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

	General	Food Service	Other Non-Major Governmental Funds	2008 Total Governmental Funds	2007 Total Governmental Funds
ASSETS					
Cash and Investments	\$ 1,441,717	\$ 129,468	\$ 202,710	\$ 1,773,895	\$ 1,437,989
Accounts Receivable	3,610	---	4,856	8,466	9,252
Due from Other Governmental Units	1,653,390	5,283	---	1,658,673	1,537,652
Due from Other Funds	18,201	---	39,919	58,120	35,905
Inventories	---	4,452	---	4,452	4,855
Prepaid Expenditures	---	---	---	---	352
TOTAL ASSETS	\$ 3,116,918	\$ 139,203	\$ 247,485	\$ 3,503,606	\$ 3,026,005
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 796	\$ 5,616	\$ ---	\$ 6,412	\$ 4,946
Accrued Interest	9,476	---	---	9,476	---
Accrued Salaries and Withholdings	1,032,746	---	---	1,032,746	1,067,865
Due to Other Funds	39,919	18,201	---	58,120	35,905
Deferred Revenue	---	---	---	---	32,919
Short-term Loans	300,000	---	---	300,000	---
TOTAL LIABILITIES	1,382,937	23,817	---	1,406,754	1,141,635
FUND BALANCES					
Reserved for Inventories	---	4,452	---	4,452	4,855
Reserved for Debt Service	---	---	158,447	158,447	129,087
Reserved for Capital Projects	---	---	48,950	48,950	41,351
Reserved for Sinking Fund	---	---	40,088	40,088	---
Unreserved and Undesignated	1,733,981	---	---	1,733,981	1,609,286
Unreserved and Undesignated, Food Services	---	110,934	---	110,934	99,791
Unreserved and Undesignated, Athletics	---	---	---	---	---
TOTAL FUND BALANCES	1,733,981	115,386	247,485	2,096,852	1,884,370
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,116,918	\$ 139,203	\$ 247,485	\$ 3,503,606	\$ 3,026,005
TOTAL GOVERNMENTAL FUND BALANCES					\$ 2,096,852
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:					
Cost of the Capital Assets is					\$ 15,476,907
Accumulated Depreciation is					<u>-6,260,630</u>
					<u>9,216,277</u>
Long-Term Liabilities are not due and payable in the current period and are not reported in the fund					
Bonds Payable					-7,138,211
Loans Payable					-48,533
Compensated Absences					-16,126
Accrued interest is not included as a liability in governmental funds					<u>-53,016</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES					\$ 4,057,243

See Accompanying Notes to Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	General	Food Service	Other Non-Major Governmental Funds	2008 Totals	2007 Totals
REVENUE					
Local Sources	\$ 1,584,875	\$ 279,480	\$ 1,224,472	\$ 3,088,827	\$ 2,555,144
State Sources	8,922,440	36,050	---	8,958,490	9,030,954
Federal Sources	130,346	170,622	---	300,968	273,270
Miscellaneous	---	---	---	---	---
TOTAL REVENUE	10,637,661	486,152	1,224,472	12,348,285	11,859,368
EXPENDITURES					
Current					
Instruction	6,673,824	---	---	6,673,824	6,579,987
Supporting Services	3,447,023	475,412	502,401	4,424,836	4,463,668
Community Services	55,546	---	---	55,546	35,430
Debt Service	41,814	---	877,994	919,808	893,922
Capital Outlay	107,795	---	---	107,795	141,097
TOTAL EXPENDITURES	10,326,002	475,412	1,380,395	12,181,809	12,114,104
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	311,659	10,740	-155,923	166,476	-254,736
OTHER FINANCING SOURCES <USES>					
Loan Proceeds	46,006	---	---	46,006	30,000
Operating Transfers In	---	---	232,970	232,970	235,660
Operating Transfers Out	-232,970	---	---	-232,970	-235,660
TOTAL OTHER FINANCING SOURCES <USES>	-186,964	---	232,970	46,006	30,000
NET CHANGE IN FUND BALANCES	124,695	10,740	77,047	212,482	-224,736
FUND BALANCES - BEGINNING OF YEAR	1,609,286	104,646	170,438	1,884,370	2,109,106
FUND BALANCES - END OF YEAR	\$ 1,733,981	\$ 115,386	\$ 247,485	\$ 2,096,852	\$ 1,884,370

See Accompanying Notes to Financial Statements.

HANOVER-HORTON SCHOOL DISTRICT

Fund Financial Statements

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 212,482

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-453,114	
Capital Outlay	<u>109,298</u>	
		-343,816

- Loan proceeds are recorded as other financing sources in the governmental funds, but not in the statement of activities (where it increases long-term debt). -46,006

- Accrued interest on long-term debt is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid. 2,602

- Compensated absences are recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid. -16,126

- Repayments of bond and loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt). 578,342

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 387,478

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

ASSETS	2008	2007
Cash and Cash Equivalents	\$ 317,494	\$ 238,554
Accounts Receivable	---	---
TOTAL ASSETS	317,494	\$ 238,554
LIABILITIES		
Due to Others	\$ ---	\$ ---
Due to Student Groups	317,494	238,554
TOTAL LIABILITIES	\$ 317,494	\$ 238,554

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY: Hanover-Horton School District is located in Jackson County, Michigan. The School District is a K through 12 system. The School District is governed by a School Board consisting of seven Board members, all of whom are elected by School District residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the School District are the Food Service Fund and Athletic Fund.

Debt Retirement Funds - These funds are used to account for the accumulation of resources for, and for the payment of, general long-term debt principal, interest, and related costs. Debt Retirement Funds maintained by the School District are to retire outstanding 1999, 2002 and Durant bonded indebtedness.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUNDS (CONTINUED)

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The school maintains one capital project fund.

Sinking Fund - This fund is used to account for tax revenue specifically collected for facility improvements and repairs.

FIDUCIARY FUNDS

Agency Fund - The Agency Fund is used to account for assets held by the School as an agent for student clubs and organizations. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. BUDGETS AND BUDGETARY ACCOUNTING: The General Fund, Special Revenue Funds, and Debt Retirement Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES: Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied and payable on December 1. The District collects its taxes through the local township treasurers. Settlement of the delinquent real property taxes is funded by Jackson and Hillsdale Counties. The District recognizes property tax revenue in the year of levy except for delinquent personal property taxes, which are recorded as revenue when received.

E. INVENTORIES: Inventories are accounted for at cost on a first-in, first-out basis of accounting with the exception of USDA Commodities that are recorded at market value. Inventory consists of expendable supplies held for consumption and USDA Commodities.

F. CASH EQUIVALENTS: The School District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

G. FINANCIAL INSTRUMENTS: The School does not require collateral to support financial instruments subject to credit risk.

H. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

I. FUND EQUITY: Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

J. CAPITAL ASSETS: Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

K. LONG-TERM OBLIGATIONS: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

L. TOTAL COLUMNS ON COMBINED STATEMENTS: Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

M. STATE CATEGORICAL REVENUE: The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

N. RISK MANAGEMENT: The School District is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

O. ESTIMATES: The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS: The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the District, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).

3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The School District is in compliance with State law regarding their cash deposits.

B. TYPES OF DEPOSITS AND INVESTMENTS: The School District maintains its cash deposits in two financial institutions. At June 30, 2008, the book value of the School District's deposits was \$-119,471 and the bank balance was \$72,060. Of the bank balance, \$72,060 was covered by federal depository insurance and \$0 was uninsured and uncollateralized.

Statutes authorize the School District to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, U.S. government or federal agency obligation repurchase agreements, obligations of the State, Certificates of Deposit, Commercial paper rated prime, Bankers' acceptances, and Mutual funds and Investment pools composed entirely of instruments that are legal for direct investment by a School District.

The School District invests surplus funds with the Comerica Bank School Cash Investment Fund and the Michigan Liquid Asset Fund in investment trust accounts in accordance with Sections 622, 1221, and 1223 of the School Code.

Investments are stated at cost, which approximates market value. The Comerica Bank School Cash Investment Fund and Michigan Liquid Asset Fund are categorized as mutual funds. Each School District owns a prorata share of each investment or deposit, which is held in the name of the funds.

The amount of investments as of June 30, 2008, which are not required to be categorized as to level of risk are as follows:

	<u>Carrying Amount</u>	<u>Book Amount</u>
General Fund	\$ 1,566,632	\$ 1,566,632
Cafeteria Fund	136,619	136,619
Debt Retirement Fund	153,160	153,160
Capital Projects Fund	48,950	48,950
Trust and Agency Fund	305,499	305,499
	<u>\$ 2,210,860</u>	<u>\$ 2,210,860</u>

HANOVER-HORTON SCHOOL DISTRICT

Notes To Financial Statements

B. TYPES OF DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the District's name.
2. Uninsured or unregistered, with securities held by the counter party's trust department or agent in the District's name.
3. Uninsured or unregistered, with securities held by the counter party, or by its trust department or agent but not in the District's name.

NOTE 3 - INVENTORY

There is \$4,452 of inventory in the Special Revenue Fund - Food Service.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

The Due from Other Governmental Units at June 30, 2008, is comprised of the following:

General Fund

State of Michigan - State Aid	\$ 1,628,679
- Title 1	23,928
- Title 2A	5,736
- Title 2D	<u>330</u>
Total Due From Other Governmental Units	<u>\$ 1,658,673</u>

NOTE 5 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2008, consisted of the following:

Due To:

General Fund	\$ 18,201
Sinking Fund	<u>39,919</u>
	<u>\$ 58,120</u>

Due From:

Food Service	\$ 18,201
General Fund	<u>39,919</u>
	<u>\$ 58,120</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the school district's Governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ 1,150	\$ ---	\$ ---	\$ 1,150
Capital assets being depreciated:				
Land improvement	2,018,577	---	---	2,018,577
Building and building improvements	11,875,334	67,506	---	11,875,334
Buses and other vehicles	804,892	41,792	98,514	773,884
Furniture and equipment	766,170	---	---	807,962
Subtotal	15,464,973	109,298	98,514	15,475,757
Accumulated depreciation:				
Land Improvements	201,588	40,372	---	241,960
Building and building improvements	4,547,503	280,675	---	4,828,178
Buses and other vehicles	549,467	87,726	98,514	538,679
Furniture and equipment	607,472	44,341	---	651,813
Subtotal	5,906,030	453,114	98,514	6,260,630
Net capital assets being depreciated	9,558,943	-343,816	---	9,215,127
Net capital assets	\$ 9,560,093	\$ -343,816	\$ ---	\$ 9,216,277

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 7 - ACCRUED SALARIES AND FRINGE BENEFITS

Salaries payable at June 30, 2008, of \$685,838 represents the unpaid portion of teacher contracts for the 2007-08 school year. On these salaries there are also fringe benefits payable at year-end totaling \$346,908.

NOTE 8 - LONG-TERM DEBT

Long-Term Debt is comprised of bonded debt, bus notes and other notes payable. During the year ended June 30, 2008, long-term debt changed as follows:

HANOVER-HORTON SCHOOL DISTRICT

Notes To Financial Statements

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Bond Issue	Balance 6/30/07	Additional Debt	2007-08 Payments	Balance 6/30/08
1999 Debt	\$ 5,880,000	\$ ---	\$ 465,000	\$ 5,415,000
2002 Debt	1,755,000	---	75,000	1,680,000
Durant Debt	43,211	---	---	43,211
Comerica Bus Loan	---	46,006	12,778	33,228
Comerica Bus Loan	10,869	---	10,869	---
County National Bus Loan	30,000	---	14,695	15,305
	<u>\$ 7,719,080</u>	<u>\$ 46,006</u>	<u>\$ 578,342</u>	<u>\$ 7,186,744</u>

Amounts needed over the next five years for debt principal payments are as follows:

	Bus Loans	1999 Refunding Debt	2002 Debt	Durant Debt	Total
2008-09	\$ 30,641	\$ 460,000	\$ 125,000	\$ 5,867	\$ 621,508
2009-10	15,336	455,000	155,000	6,147	631,483
2010-11	2,556	450,000	175,000	17,384	644,940
2011-12	---	445,000	175,000	6,746	626,746
2012-13	---	440,000	---	7,067	447,067
	<u>48,533</u>	<u>2,250,000</u>	<u>630,000</u>	<u>43,211</u>	<u>2,971,744</u>
2013 - Maturity	---	3,165,000	1,050,000	---	4,215,000
	<u>\$ 48,533</u>	<u>\$ 5,415,000</u>	<u>\$ 1,680,000</u>	<u>\$ 43,211</u>	<u>\$ 7,186,744</u>

NOTE 9 - DEFINED BENEFIT PENSION PLAN

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), which is a multiple-employer public employee retirement system. MPERS maintains two plans: the Basic Plan and a Member Investment Plan (MIP). The retirement statute requires that the School District contribute 14.56% of the aggregate annual compensation paid to all employees who are members of the Retirement System. Effective October 1, 1996, the rate increased to 15.17%, and has changed annually since then. For the year ending June 30, 2008, the rate was 16.72%.

Members joining MIP prior to January 1, 1990, contribute at a fixed rate of 3.9% of gross wages. Members joining MIP January 1, 1990 or later contribute at the following graduated permanently fixed rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. After January 1, 1990, membership in MIP is mandatory.

All benefits vest after 10 years of service. Basic Plan members may retire at age 55 with 30 years of credited service, or at age 50 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both Basic and MIP Plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. The system also provides non-duty disability benefits after 10 years of service for MIP members and 15 years of service for basic plan members. The service provision is waived for duty disability and duty death benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members it is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees. MIP members receive a fixed 3% annual increase of the initial benefit. Basic members share in investment earnings over 8%.

The employees covered by the plan include: all teaching and non-teaching employees, employees paid from federal funds, students working summer months but not attending classes, and students working in a school other than the one they are enrolled in and attending classes.

During the year ended June 30, 2008, the School District contributed \$1,070,953 to the Retirement System, which is 16.97% of current fiscal year covered compensation of \$6,310,319. The rate for the current contract year is 16.72%, which the School District paid on all covered compensation. Employees contributed an additional \$235,216 or 4.02% of eligible wages of \$5,854,261. Total wages of the district totaled \$6,393,675.

The "actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement plans and employers. The System does not make separate measurements of assets and pension benefits obligation for individual employers. The actuarial accrued liability at September 30, 2006, for the System as a whole, determined through an actuarial valuation performed, as of that date, was \$49.1 billion. The total pension benefit obligation has increased by \$0.9 billion from September 30, 2005 to September 30, 2006.

The System's net assets available for benefits on that date (valued at market) were \$43.0 billion leaving an unfunded actuarial accrued liability of \$6.1 billion. Ten-year historical trend information is presented in the System's September 30, 2007, comprehensive annual financial report.

NOTE 10 - BUDGETARY ACCOUNTING

During the year ended June 30, 2008, the School incurred no expenditures that were in excess of the amounts appropriated.

NOTE 11 - FUND BALANCE

Components of Fund Balance at June 30, 2008, are as follows:

1. \$4,452 of fund balance in the Special Revenue - Food Service Fund is reserved. This amount represents inventory supplies and USDA commodity inventories on hand at year-end and is not available for current appropriations and expenditures of the Hot Lunch Fund.
2. The balance of the Unreserved Fund Balance is undesignated and is available to fund future School operations. The June 30, 2008, Unreserved General Fund Balance of \$1,733,981 compares to June 30, 2007, Unreserved General Fund Balance of \$1,609,286.

NOTE 12 - COMPENSATED ABSENCES

The School's policy is not to compensate employees for vacation time not used during the school year. Accumulated sick pay policies are as follows:

Teachers

Credited with 11 sick leave days per year; maximum accumulation of 130 days allowed; amounts over 130 days not used are paid at a rate of \$55 per day. A retirement leave benefit of \$55 per day (maximum \$750) is paid to teachers, employed by the District for ten years or more, retiring from the District.

Support Personnel

Credited with one day per month for months worked; maximum accumulation of 120 days allowed; amounts over 120 days not used are paid at a rate of 50% of the employee's daily rate. A retirement leave benefit of 50% of the daily rate (maximum \$500) is paid upon retirement from the District.

NOTE 13 - SINKING FUND

The School has established a sinking fund. Taxpayers are funding the Sinking Fund with 1 mill of property taxes for the years 2007-2011. This money will be used for facility repairs and improvements. In the year ended June 30, 2008, \$246,066 was collected and \$205,978 was spent on facility improvements, leaving a balance of \$40,088.

NOTE 14 - SHORT-TERM LOAN

On August 20, 2007, the District borrowed \$300,000 from the Michigan Municipal Bond Authority State Aid Note Loan Program. The full loan amount, plus interest, which accrues at 3.68% is due on August 20, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Local Sources	\$ 1,379,356	\$ 1,539,480	\$ 1,584,875	\$ 45,395
State Sources	8,944,448	8,913,396	8,922,440	9,044
Federal Sources	166,520	192,635	130,346	-62,289
Other Sources	---	46,006	46,006	---
TOTAL REVENUE	10,490,324	10,691,517	10,683,667	-7,850
EXPENDITURES				
Current				
Instruction				
Basic Programs	6,095,570	6,114,867	6,045,540	69,327
Added Needs	647,118	666,243	628,284	37,959
Supporting Services				
Pupil	495,351	438,987	408,868	30,119
Instructional Staff	170,617	165,517	161,457	4,060
Administration	1,273,957	1,266,738	1,219,915	46,823
Business Services	1,949,960	1,717,181	1,656,783	60,398
Community Services	37,701	56,895	55,546	1,349
Capital Outlay	---	109,995	107,795	2,200
Debt Service	15,940	41,815	41,814	1
Other Uses - Operating Transfers	291,310	269,414	232,970	36,444
TOTAL EXPENDITURES	10,977,524	10,847,652	10,558,972	288,680
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	-487,200	-156,135	124,695	280,830
BUDGETARY FUND BALANCE - JULY 1, 2007	1,609,286	1,609,286	1,609,286	---
BUDGETARY FUND BALANCE - JUNE 30, 2008	\$ 1,122,086	\$ 1,453,151	\$ 1,733,981	\$ 280,830

HANOVER-HORTON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Local Sources	\$ 329,773	\$ 281,943	\$ 279,480	\$ -2,463
State Sources	20,856	37,312	36,050	-1,262
Federal Sources	126,000	142,000	170,622	28,622
Other Sources	---	26,173	---	-26,173
TOTAL REVENUE	476,629	487,428	486,152	-1,276
EXPENDITURES				
Current				
Instruction				
Basic Programs	---	---	---	---
Added Needs	---	---	---	---
Supporting Services				
Pupil	476,629	487,428	475,412	12,016
Instructional Staff	---	---	---	---
Administration	---	---	---	---
Business Services	---	---	---	---
Community Services	---	---	---	---
Capital Outlay	---	---	---	---
Debt Service	---	---	---	---
Other Uses - Operating Transfers	---	---	---	---
TOTAL EXPENDITURES	476,629	487,428	475,412	12,016
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	---	---	10,740	10,740
BUDGETARY FUND BALANCE - JULY 1, 2007	104,646	104,646	104,646	---
BUDGETARY FUND BALANCE - JUNE 30, 2008	\$ 104,646	\$ 104,646	\$ 115,386	\$ 10,740

OTHER SUPPLEMENTAL INFORMATION

HANOVER-HORTON SCHOOL DISTRICT

GENERAL FUND

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>	Prior Year Actual
REVENUE				
LOCAL SOURCES				
Current Property Tax Levy	\$ 952,226	\$ 952,227	\$ 1	\$ 891,135
Interest and Penalties - Delinquent Taxes	17,455	18,015	560	7,458
Tuition	---	---	---	1,226
Sale of School Property	24,769	24,854	85	4,200
Refunds	14,893	32,602	17,709	20,698
Interest Earned	43,000	47,392	4,392	46,218
Rental of School Facilities	9,689	9,689	---	9,405
Transportation	11,000	27,600	16,600	17,708
Kids Club Fees	22,250	25,492	3,242	29,389
Career Prep	23,000	22,990	-10	23,000
Other	31,885	33,320	1,435	3,184
Data Processing Support	30,000	31,331	1,331	31,577
Special Education	359,313	359,363	50	225,698
TOTAL REVENUE FROM LOCAL SOURCES	1,539,480	1,584,875	45,395	1,310,896
STATE SOURCES				
Non Plaintiff Durant Settlement	10,543	10,543	---	10,543
State Aid	8,614,115	8,608,028	-6,087	8,647,725
Middle School Math	---	---	---	17,666
Special Education	178,398	178,397	-1	219,788
At Risk	110,340	125,472	15,132	98,063
TOTAL REVENUE FROM STATE SOURCES	8,913,396	8,922,440	9,044	8,993,785
FEDERAL SOURCES				
Title II - D	1,066	330	-736	1,168
Title I	129,771	108,453	-25,318	80,101
Title II - A	60,244	24,466	-35,778	57,388
Drug Free	1,000	820	-180	786
Title V	554	277	-277	385
TOTAL REVENUE FROM FEDERAL SOURCES	192,635	130,346	-62,289	139,828
TOTAL REVENUE AND INCOMING TRANSFERS	\$ 10,645,511	\$ 10,637,661	\$ -7,850	\$ 10,444,509

HANOVER-HORTON SCHOOL DISTRICT

General Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>	Prior Year Actual
EXPENDITURES				
Instruction				
BASIC PROGRAMS				
Elementary School	\$ 2,386,560	\$ 2,365,646	\$ 20,914	\$ 2,218,672
Middle School	1,548,690	1,530,063	18,627	1,520,333
High School	2,083,674	2,058,936	24,738	2,128,274
Summer School	95,943	90,895	5,048	132,839
Other	---	---	---	---
TOTAL BASIC PROGRAMS	6,114,867	6,045,540	69,327	6,000,118
ADDED NEEDS				
Special Education	536,472	523,831	12,641	499,768
Compensatory Education	129,771	104,453	25,318	80,101
Other	---	---	---	---
TOTAL ADDED NEEDS	666,243	628,284	37,959	579,869
Total Instruction	6,781,110	6,673,824	107,286	6,579,987
Supportive Services				
PUPIL				
Guidance	184,899	182,424	2,475	215,885
Extra Duties/Aides	195,446	201,371	-5,925	175,272
Staff Development	58,642	25,073	33,569	59,110
TOTAL PUPIL	438,987	408,868	30,119	450,267
INSTRUCTIONAL STAFF				
Library	165,517	161,457	4,060	158,995
Audio Visual	---	---	---	---
TOTAL INSTRUCTIONAL STAFF	165,517	161,457	4,060	158,995
ADMINISTRATION				
Board of Education	106,065	84,671	21,394	55,143
Central Administration	408,173	397,846	10,327	408,272
School Administration	752,500	737,398	15,102	772,850
TOTAL ADMINISTRATION	\$ 1,266,738	\$ 1,219,915	\$ 46,823	\$ 1,236,265

	Budget	Actual	Favorable <Unfavorable>	Prior Year Actual
EXPENDITURES				
Supportive Services - Continued				
BUSINESS SERVICES				
Operation and Maintenance	\$ 1,026,587	\$ 992,748	\$ 33,839	\$ 1,174,175
Pupil Transportation	557,568	562,268	-4,700	574,834
Technology	95,749	86,600	9,149	35,954
Other	37,277	15,167	22,110	69,682
TOTAL BUSINESS SERVICES	1,717,181	1,656,783	60,398	1,854,645
Total Supportive Services	3,588,423	3,447,023	141,400	3,700,172
Community Services				
Kids Club	54,757	54,431	326	34,147
Other	2,138	1,115	1,023	1,283
Total Community Services	56,895	55,546	1,349	35,430
Debt Service	41,815	41,814	1	20,862
Capital Outlay	109,995	107,795	2,200	61,253
TOTAL EXPENDITURES	\$ 10,578,238	\$ 10,326,002	\$ 252,236	\$ 10,397,704
EXCESS REVENUE OVER EXPENDITURES	67,273	311,659	244,386	46,805
OTHER FINANCING SOURCES <USES>				
Loan Proceeds	46,006	46,006	---	30,000
Operating Transfers In	---	---	---	---
Operating Transfers Out	-269,414	-232,970	36,444	-235,660
TOTAL OTHER FINANCING SOURCES <USES>	-223,408	-186,964	36,444	-205,660
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	\$ -156,135	124,695	\$ 280,830	\$ -158,855
FUND BALANCE - JULY 1, 2007		1,609,286		
FUND BALANCE - JUNE 30, 2008		\$ 1,733,981		

HANOVER-HORTON SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2008

	Food Service Fund	Athletic Fund	Totals
ASSETS			
Cash and Investments	\$ 129,468	\$ ---	\$ 129,468
Due From Other Governmental Units	5,283	---	5,283
Due From Other Funds	---	---	---
Prepaid Expenses	---	---	---
Inventory	4,452	---	4,452
TOTAL ASSETS	\$ 139,203	\$ ---	\$ 139,203
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Due to Other Funds	\$ 18,201	\$ ---	\$ 18,201
Accounts Payable	5,616	---	5,616
Accrued Salaries	---	---	---
Accrued Expenses	---	---	---
TOTAL LIABILITIES	23,817	---	23,817
FUND EQUITY			
Fund Balance - Reserved for Inventory	4,452	---	4,452
Fund Balance - Unreserved	110,934	---	110,934
TOTAL FUND EQUITY	115,386	---	115,386
TOTAL LIABILITIES AND FUND EQUITY	\$ 139,203	\$ ---	\$ 139,203

HANOVER-HORTON SCHOOL DISTRICT

Special Revenue Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Food Service		
	Budget	Actual	Favorable <Unfavorable>
REVENUE			
<u>Food Services</u>			
Goods Sold	\$ 3,500	\$ 5,249	\$ 1,749
Student Meals	210,000	205,303	-4,697
Adult Meals	12,300	12,742	442
Ala Carte Meals	32,953	32,481	-472
Breakfast	15,000	15,532	532
Vending Machine Sales	3,690	3,801	111
State Aid	37,312	36,050	-1,262
Federal Aid	132,000	143,114	11,114
Federal USDA Commodities in Kind	10,000	27,508	17,508
Other Income	---	---	---
Interest Income	4,500	4,372	-128
<u>Athletic Activities</u>			
Admission to Games	---	---	---
TOTAL REVENUE	461,255	486,152	24,897
EXPENDITURES			
Salaries	154,042	152,377	1,665
Fringe Benefits	80,756	80,310	446
Dues and Fees	3,010	3,010	---
Purchased Services	4,645	3,545	1,100
Food and Supplies	234,431	228,478	5,953
Travel and Conferences	1,344	1,389	-45
Miscellaneous	1,200	420	780
Repairs	3,500	2,884	616
Capital Outlay	4,500	2,999	1,501
TOTAL EXPENDITURES	\$ 487,428	\$ 475,412	\$ 12,016

Athletic Activities			Totals (Memo Only)		
Budget	Actual	Favorable <Unfavorable>	Budget	Actual	Favorable <Unfavorable>
\$ ---	\$ ---	\$ ---	\$ 3,500	\$ 5,249	\$ 1,749
---	---	---	210,000	205,303	-4,697
---	---	---	12,300	12,742	442
---	---	---	32,953	32,481	-472
---	---	---	15,000	15,532	532
---	---	---	3,690	3,801	111
---	---	---	37,312	36,050	-1,262
---	---	---	132,000	143,114	11,114
---	---	---	10,000	27,508	17,508
---	---	---	---	---	---
---	---	---	4,500	4,372	-128
63,453	63,453	---	63,453	63,453	---
63,453	63,453	---	524,708	549,605	24,897
178,286	174,267	4,019	332,328	326,644	5,684
55,896	55,993	-97	136,652	136,303	349
11,668	11,148	520	14,678	14,158	520
21,250	21,200	50	25,895	24,745	1,150
19,025	16,711	2,314	253,456	245,189	8,267
1,341	1,174	167	2,685	2,563	122
18,543	15,930	2,613	19,743	16,350	3,393
---	---	---	3,500	2,884	616
---	---	---	4,500	2,999	1,501
\$ 306,009	\$ 296,423	\$ 9,586	\$ 793,437	\$ 771,835	\$ 21,602

HANOVER-HORTON SCHOOL DISTRICT

Special Revenue Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Food Service		
	Budget	Actual	Favorable <Unfavorable>
EXCESS REVENUE OVER <UNDER> EXPENDITURES	<u>\$ -26,173</u>	<u>\$ 10,740</u>	<u>\$ 36,913</u>
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	26,173	---	-26,173
Operating Transfers Out	---	---	---
TOTAL OTHER FINANCING SOURCES <USES>	<u>26,173</u>	<u>---</u>	<u>-26,173</u>
EXCESS REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u><u>\$ ---</u></u>	<u>10,740</u>	<u><u>\$ 10,740</u></u>
FUND BALANCE - BEGINNING OF YEAR		<u>104,646</u>	
FUND BALANCE - END OF YEAR		<u><u>\$ 115,386</u></u>	

Athletic Activities			Totals (Memo Only)		
Budget	Actual	Favorable <Unfavorable>	Budget	Actual	Favorable <Unfavorable>
\$ -242,556	\$ -232,970	\$ 9,586	\$ -268,729	\$ -222,230	\$ 46,499
242,556	232,970	-9,586	268,729	232,970	-35,759
---	---	---	---	---	---
242,556	232,970	-9,586	268,729	232,970	-35,759
<u>\$ ---</u>	<u>---</u>	<u>\$ ---</u>	<u>\$ ---</u>	10,740	<u>\$ 10,740</u>
	<u>---</u>			<u>104,646</u>	
	<u>\$ ---</u>			<u>\$ 115,386</u>	

DEBT RETIREMENT FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2008

	Debt V	Debt VI	Durant	Totals
ASSETS				
Cash and Investments	\$ 108,183	\$ 45,577	\$ ---	\$ 153,760
Due from other Funds	---	---	---	---
Accounts Receivable	4,215	472	---	4,687
TOTAL ASSETS	\$ 112,398	\$ 46,049	\$ ---	\$ 158,447
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	---	---	---	---
TOTAL LIABILITIES	---	---	---	---
FUND EQUITY				
Fund Balance	112,398	46,049	---	158,447
TOTAL LIABILITIES AND FUND EQUITY	\$ 112,398	\$ 46,049	\$ ---	\$ 158,447

HANOVER-HORTON SCHOOL DISTRICT

Debt Retirement Funds

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Debt V		
	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Taxes	\$ 734,468	\$ 734,684	\$ 216
Delinquent Taxes	---	---	---
Interest and Penalties on Delinquent Property Taxes	3,809	4,063	254
Earned Interest	15,800	16,885	1,085
State Aid Revenue	---	---	---
Miscellaneous	---	---	---
TOTAL REVENUE	754,077	755,632	1,555
EXPENDITURES			
Principal on Bonds	465,000	465,000	---
Interest on Bonds	262,450	262,450	---
Interest on School Bond Loan Fund	---	---	---
Agent Fees and Other	1,500	700	800
TOTAL EXPENDITURES	728,950	728,150	800
EXCESS REVENUE OVER <UNDER> EXPENDITURES	25,127	27,482	2,355
OTHER FINANCING SOURCES			
Loan Proceeds	---	---	---
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
TOTAL OTHER FINANCING SOURCES	---	---	---
EXCESS REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	\$ 25,127	27,482	\$ 2,355
FUND BALANCE - BEGINNING OF YEAR		84,916	
FUND BALANCE - END OF YEAR		\$ 112,398	

Debt VI			Durant		
Budget	Actual	Favorable <Unfavorable>	Budget	Actual	Favorable <Unfavorable>
\$ 146,869	\$ 146,928	\$ 59	\$ ---	\$ ---	\$ ---
---	---	---	---	---	---
761	813	52	---	---	---
3,941	3,981	40	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
151,571	151,722	151	---	---	---
75,000	75,000	---	---	---	---
74,230	74,230	1	---	---	---
---	---	---	---	---	---
1,000	614	386	---	---	---
150,230	149,844	386	---	---	---
1,341	1,878	537	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
<u>\$ 1,341</u>	1,878	<u>\$ 537</u>	<u>\$ ---</u>	---	<u>\$ ---</u>
	<u>44,171</u>			<u>---</u>	
	<u>\$ 46,049</u>			<u>\$ ---</u>	

HANOVER-HORTON SCHOOL DISTRICT

Debt Retirement Funds

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Total		
	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Taxes	\$ 881,337	\$ 881,612	\$ 275
Delinquent Taxes	---	---	---
Interest and Penalties on Delinquent Property Taxes	4,570	4,876	306
Earned Interest	19,741	20,866	1,125
State Aid Revenue	---	---	---
Miscellaneous	---	---	---
TOTAL REVENUE	905,648	907,354	1,706
EXPENDITURES			
Principal on Bonds	540,000	540,000	---
Interest on Bonds	336,680	336,680	---
Interest on School Bond Loan Fund	---	---	---
Agent Fees and Other	2,500	1,314	1,186
TOTAL EXPENDITURES	879,180	877,994	1,186
EXCESS REVENUE OVER EXPENDITURES	26,468	29,360	2,892
OTHER FINANCING SOURCES <USES>			
Loan Proceeds	---	---	---
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
TOTAL OTHER FINANCING SOURCES <USES>	---	---	---
EXCESS REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 26,468	29,360	\$ 2,892
FUND BALANCE - BEGINNING OF YEAR		129,087	
FUND BALANCE - END OF YEAR		\$ 158,447	

CAPITAL PROJECT FUND

HANOVER-HORTON SCHOOL DISTRICT

Capital Project Fund

COMPARATIVE BALANCE SHEET

JUNE 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and Investments	\$ 48,950	\$ 41,351
Accounts Receivable	---	---
Due from Other Funds	---	---
TOTAL ASSETS	\$ 48,950	\$ 41,351
 LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	\$ ---	\$ ---
Due to Other Funds	---	---
TOTAL LIABILITIES	---	---
 FUND EQUITY		
Fund Balance	48,950	41,351
TOTAL LIABILITIES AND FUND EQUITY	\$ 48,950	\$ 41,351

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>	Prior Year Actual
REVENUE				
Current Taxes	\$ ---	\$ ---	\$ ---	\$ ---
Delinquent Taxes	---	---	---	---
Grants	---	---	---	7,237
Earned Interest	1,640	1,637	-3	2,361
Miscellaneous	5,962	5,962	---	---
TOTAL REVENUE	7,602	7,599	-3	9,598
EXPENDITURES				
Capital Outlay	40,000	---	40,000	75,716
TOTAL EXPENDITURES	40,000	---	40,000	75,716
EXCESS REVENUE OVER <UNDER> EXPENDITURES	-32,398	7,599	39,997	-66,118
OTHER FINANCING SOURCES				
OISD Contribution	---	---	---	---
Operating Transfers In	---	---	---	---
Operating Transfers Out	---	---	---	---
TOTAL OTHER FINANCING SOURCES	---	---	---	---
EXCESS REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	\$ -32,398	7,599	\$ 39,997	\$ -66,118
FUND BALANCE - BEGINNING OF YEAR		41,351		
FUND BALANCE - END OF YEAR		\$ 48,950		

HANOVER-HORTON SCHOOL DISTRICT

SINKING FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and Investments	\$ ---	\$ ---
Taxes Receivable	169	---
Due from Other Funds	39,919	---
TOTAL ASSETS	\$ 40,088	\$ ---
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	\$ ---	\$ ---
Due to Other Funds	---	---
TOTAL LIABILITIES	---	---
FUND EQUITY		
Fund Balance	40,088	---
TOTAL LIABILITIES AND FUND EQUITY	\$ 40,088	\$ ---

HANOVER - HORTON SCHOOL DISTRICT

Sinking Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2008

	Budget	Actual	Favorable <Unfavorable>	Prior Year Actual
REVENUE				
Current Taxes	\$ 245,919	\$ 246,066	\$ 147	\$ ---
Delinquent Taxes	---	---	---	---
Grants	---	---	---	---
Earned Interest	---	---	---	---
Miscellaneous	---	---	---	---
TOTAL REVENUE	245,919	246,066	147	---
EXPENDITURES				
Capital Outlay	244,000	205,978	38,022	---
TOTAL EXPENDITURES	244,000	205,978	38,022	---
EXCESS REVENUE OVER <UNDER> EXPENDITURES	1,919	40,088	38,169	---
OTHER FINANCING SOURCES				
OISD Contribution	---	---	---	---
Operating Transfers In	---	---	---	---
Operating Transfers Out	---	---	---	---
TOTAL OTHER FINANCING SOURCES	---	---	---	---
EXCESS REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	\$ 1,919	40,088	\$ 38,169	\$ ---
FUND BALANCE - BEGINNING OF YEAR		---		
FUND BALANCE - END OF YEAR		\$ 40,088		

AGENCY FUNDS

HANOVER - HORTON SCHOOL DISTRICT

Agency Funds

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2008

ASSETS

Cash and Investments	\$ 317,494
Accounts Receivable	---
Due From Other Funds	---
TOTAL ASSETS	<u>\$ 317,494</u>

LIABILITIES

Due to Other Funds	\$ ---
Due to Student Groups	317,494
TOTAL LIABILITIES	<u>\$ 317,494</u>

SUMMARY STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2008

	Balance 6/30/07	Receipts	Disbursements	Balance 6/30/08
ASSETS				
Cash and Investments	\$ 238,554	\$ 457,316	\$ 378,376	\$ 317,494
Accounts Receivable	---	---	---	---
Due From Other Funds	---	---	---	---
TOTAL ASSETS	\$ 238,554	\$ 457,316	\$ 378,376	\$ 317,494
LIABILITIES				
Due to Other Funds	\$ ---	\$ ---	\$ ---	\$ ---
Due to Student Groups	238,554	457,316	378,376	317,494
TOTAL LIABILITIES	\$ 238,554	\$ 457,316	\$ 378,376	\$ 317,494

HANOVER - HORTON SCHOOL DISTRICT

Agency Funds

DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES INTERNAL ACTIVITIES FUND

FISCAL YEAR ENDED JUNE 30, 2008/

ACTIVITY	Due to Student Groups 6/30/07	Receipts	Disbursements	Due to Student Groups 6/30/08
Academic Boosters	\$ 174	\$ 1,000	\$ 1,883	\$ -709
Academic Service Learning	2,649	2,360	2,543	2,466
After Prom party	821	---	---	821
Alumni Account	9,334	2,060	535	10,859
Athletic JAVA	174	---	---	174
Athletic Tournaments	-3,190	14,874	6,600	5,084
Athletic Vending	5,079	17,260	19,991	2,348
Band Account	5	360	350	15
Band Fundraising	922	12,602	12,911	613
Band Travels	720	4,918	5,635	3
Benevolence	15	---	---	15
Calendar Sales	2,028	2,021	1,440	2,609
Cheerleaders	363	4,320	3,893	790
Choir	334	---	239	95
Citizens for Education	117	---	---	117
Class of 2006	2,061	-2,061	---	---
2007	5,079	187	1,375	3,891
2008	7,040	805	2,778	5,067
2009	6,506	16,036	17,933	4,609
2010	2,168	4,105	3,693	2,580
2011	---	9,023	6,686	2,337
Competitive Grant (JCF)	180	---	---	180
Counseling	100	---	---	100
Drama Club	3,913	1,780	338	5,355
Drop-In Computer Lab	524	---	---	524
Earnings on Investments	14,088	9,354	7,183	16,259
Educational Fund Grants	244	4,542	3,278	1,508
Elementary	16,635	14,433	14,125	16,943
Elementary Classroom	535	440	438	537
Elementary Field Trips	7,333	4,306	2,901	8,738
Elementary Girls Basketball	7,917	10,850	15,497	3,270
Elementary Lighthouse Project	633	---	82	551
Elementary Pop Fund	5,707	1,491	1,778	5,420
Elementary Staff Retirement	226	---	---	226
Elementary Student Council	3,264	8,373	8,172	3,465
Entrepreneurial	30	---	---	30
H-H Concessions	5,464	---	5,464	---
H-H Renaissance Account	1,446	930	2,301	75
H-H Music Boosters	5,908	11,823	14,315	3,416

DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES INTERNAL ACTIVITIES FUND

FISCAL YEAR ENDED JUNE 30, 2008

<u>ACTIVITY</u>	<u>Due to Student Groups 6/30/07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Due to Student Groups 6/30/08</u>
HS Art	9	---	---	9
HS Baseball	237	920	1,125	32
HS Baton	19	---	---	19
HS Bottle Refund	1,273	1,165	1,025	1,413
HS Business Manage Class	684	10,175	10,439	420
HS Community Service Club	2,750	1,243	1,800	2,193
HS Cross Country	-140	9,079	7,833	1,106
HS Counseling	---	200	200	---
HS English Dept	500	---	---	500
HS Football	221	7,605	1,134	6,692
HS French Club	8,722	10,333	19,055	---
HS Human Relations	2,579	---	---	2,579
HS Journalism	1,922	530	640	1,812
HS Miscellaneous	2,899	1,543	3,086	1,356
HS National Honor Society	833	1,981	1,722	1,092
HS Portfolio Supplies	590	---	---	590
HS Tech Lab	175	752	240	687
HS Softball	86	1,260	1,930	-584
HS Spanish Club	636	4,715	2,860	2,491
HS Student Council	8,427	3,807	6,667	5,567
HS Teacher's Lounge	436	1,231	977	690
HS Track	724	2,494	2,768	450
HS Web Site Develop	230	---	---	230
HS Weight Room	---	---	---	---
HS Wrestling	6	---	---	6
HS Yearbook	2,866	4,741	4,952	2,655
Independent Living	-233	233	---	---
JCF Youth Mini Grant	73	---	---	73
Junior Pro Boys Basketball	698	4,605	5,189	114
Kids Club	5,333	---	3,677	1,656
Ladd Scholarship	97	---	---	97
Library Fund	3,357	13,845	14,412	2,790
Lil Comets	---	2,389	1,333	1,056
Loss and Damage	11,997	2,686	4,749	9,934
6 th Grade Basketball Program	609	2,300	2,555	354
Maintenance Rewards and Recognition	430	---	81	349
M. Bytnar Memorial Fund	382	---	34	348

HANOVER - HORTON SCHOOL DISTRICT

Agency Funds

DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES INTERNAL ACTIVITIES FUND

FISCAL YEAR ENDED JUNE 30, 2008

ACTIVITY	Due to Student Groups 6/30/07	Receipts	Disbursements	Due to Student Groups 6/30/08
MS Activity	10,417	19,777	22,259	7,935
MS Art Fund	49	---	---	49
MS Class of 2012	499	363	---	862
MS Cheerleading	335	1,816	2,085	66
MS Choir	4,681	---	2,560	2,121
MS Lego Club	180	---	---	180
MS Miscellaneous	1,744	2,116	1,829	2,031
MS Pop Machine	6,467	2,673	2,339	6,801
MS Popcorn Repair Fund	423	25	---	448
MS Rewards	726	158	535	349
MS Running Club	-2	3,259	3,046	211
MS Skills Class	179	---	80	99
MS Student Council	2,343	4,374	3,376	3,341
MS Weight Training	753	---	---	753
MS Yearbook	897	1,950	1,785	1,062
McGee Scholarship L.E.	2,104	2,949	1,999	3,054
New Library	1,289	---	205	1,084
New Press Box	340	---	---	340
Night Lights	2,866	---	---	2,866
Destination Imagination	75	---	---	75
Pop Machine	2,696	4,610	3,465	3,841
PTA	7	---	---	7
RIOT Account	846	---	---	846
Robbie Curtis Charitable	1,004	---	---	1,004
Rothenburger Scholarship	---	2,000	---	2,000
Ruth Creps Scholarship	13,173	127,884	56,499	84,558
Soccer	720	9,893	8,336	2,277
Student Teacher Fund	1,080	120	---	1,200
Summer Lights	769	---	---	769
Supplies R Us	3,718	---	1,369	2,349
Tech Grant	---	25,000	1,424	23,576
Volleyball Boosters	1,203	325	345	1,183
Wall of Fame	1,000	---	---	1,000
Total	\$ 238,554	\$ 457,316	\$ 378,376	\$ 317,494

STATEMENTS OF INDEBTEDNESS

HANOVER - HORTON SCHOOL DISTRICT

Statements Of Indebtedness

YEAR ENDED JUNE 30, 2008

BUS LOANS

Balance Outstanding - June 30, 2008

\$ 48,533

Balance payable as follows:

LOAN	YEAR	INTEREST RATE	PRINCIPAL	INTEREST	TOTAL
Comerica Bank					
	2008-09	4.69%	\$ 15,336	\$ 1,230	\$ 16,566
	2009-10	4.69%	15,336	510	15,846
	2010-11	4.69%	2,556	15	2,571
			<u>33,228</u>	<u>1,755</u>	<u>34,983</u>
Hillsdale County National Bank					
	2008-09	4.15%	15,305	635	15,940
			<u>\$ 48,533</u>	<u>\$ 2,390</u>	<u>\$ 50,923</u>

DURANT DEBT

Balance Outstanding - June 30, 2008

\$ 43,211

Balance payable as follows:

Year	Rate	Interest	Principal	Total
Prior	4.761%	\$ 3,861	\$ 10,945	\$ ---
2008 - 09	4.761%	1,537	5,867	7,404
2009 - 10	4.761%	1,257	6,147	7,404
2010 - 11	4.761%	965	6,439	22,210
2011 - 12	4.761%	657	6,746	7,403
2012 - 13	4.761%	336	7,067	7,403
		<u>\$ 8,613</u>	<u>\$ 43,211</u>	<u>\$ 51,824</u>

Statements Of Indebtedness

YEAR ENDED JUNE 30, 2008

1999 REFUNDING DEBT

Balance Outstanding - June 30, 2008

\$ 5,415,000

Balance payable as follows:

Year	Rate	Interest	Principal	Total
2008 - 09	4.15%	\$ 243,385	\$ 460,000	\$ 703,385
2009 - 10	4.20%	224,295	455,000	679,295
2010 - 11	4.30%	205,185	450,000	655,185
2011 - 12	4.35%	185,835	445,000	630,835
2012 - 13	4.40%	166,477	440,000	606,477
2013 - 14	4.50%	147,118	465,000	612,118
2014 - 15	4.55%	126,193	460,000	586,193
2015 - 16	4.60%	105,262	455,000	560,262
2016 - 17	4.65%	84,333	450,000	534,333
2017 - 18	4.70%	63,407	450,000	513,407
2018 - 19	4.75%	42,258	445,000	487,258
2019 - 20	4.80%	21,120	440,000	461,120
		<u>\$ 1,614,868</u>	<u>\$ 5,415,000</u>	<u>\$ 7,029,868</u>

2002 DEBT

Balance Outstanding - June 30, 2008

\$ 1,680,000

Balance payable as follows:

Year	Rate	Interest	Principal	Total
2008 - 09	3.65%	\$ 71,605	\$ 125,000	\$ 196,605
2009 - 10	3.85%	67,043	155,000	222,043
2010 - 11	4.00%	61,075	175,000	236,075
2011 - 12	4.10%	54,075	175,000	229,075
2012 - 13	4.25%	46,900	---	46,900
2013 - 14	4.25%	46,900	350,000	396,900
2014 - 15	4.50%	32,025	---	32,025
2015 - 16	4.50%	32,025	350,000	382,025
2016 - 17	4.65%	16,275	---	16,275
2017 - 18	4.65%	16,275	350,000	366,275
		<u>\$ 444,198</u>	<u>\$ 1,680,000</u>	<u>\$ 2,124,198</u>

3775 Kimmel Road
Horton, Michigan 49246

(517) 937-9333 Phone / 563-2552 Fax
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Hanover-Horton School District
Horton, Michigan 49246

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover-Horton School District, as of and for the year ended June 30, 2008, which collectively comprise the Hanover-Horton School District's basic financial statements and have issued our report thereon dated July 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hanover-Horton School District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Audit Adjustments

As part of the audit process, adjusting entries were recommended to management and consequently made to adjust various general ledger balances as of June 30, 2008. These journal entries were necessary in order for the financial statements to be materially correct.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hanover-Horton School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of the Hanover-Horton School District in a separate letter dated July 14, 2008.

This report is intended solely for the information and use of management, the Board of Education, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, PC
Certified Public Accountant

July 14, 2008

3775 Kimmel Road

Fax

(517) 937-9333 Phone / 563-2552

July 14, 2008

Board of Education
Hanover-Horton School District
Horton, Michigan 49246

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hanover-Horton School District for the year ended June 30, 2008, and have issued our report thereon dated July 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated January 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hanover-Horton School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during this fiscal year. We noted no transactions entered into by the governmental unit, during the year, for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future

events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on useful life of the assets. We evaluated the key factors and assumptions used to develop the estimate, in determining that it is reasonable, in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in Note 8 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures, and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 14, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. The primary discussions held this year revolved around the segregation of responsibilities in the School District office. These discussions occurred in the normal course of our professional relationship, however, and our responses were not a condition to our retention.

This information is intended solely for the use of Hanover-Horton School District, management of Hanover-Horton School District and the Michigan Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Karl L. Drake". The signature is written in dark ink and is positioned above the printed name.

Karl L. Drake, P.C.